

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3760

ANSWERED ON:24.03.2017

Private Equity

Singh Deo Shri Kalikesh Narayan

Will the Minister of FINANCE be pleased to state:

(a): whether the Government is aware that any specialised private equity/alternate fund was sold to retail investors for investment into production of cinema and art in the country and if so, the details thereof;

(b): whether these funds have returned any profits including capital to investors and if so, the details thereof and if not, the reasons therefor including timeline of closure;

(c): whether these funds have met compliances to regulators and clients as mandated in contract and if so, the details and if not, the reasons therefor;

(d): whether any complaints from clients and investors have been received on activity of the funds, if so, the details thereof and the action taken thereon by Government bodies such as Securities and Exchange Board of India (SEBI) and Enforcement Directorate and if not, the reasons therefor; and

(e): whether the Government proposes to prosecute fund managers and the banks from marketing and misleading the products to retail investors and if so, the details thereof?

Answer

The Minister of State in the Ministry of Finance (Shri Arjun Ram Meghwal)

(a) to (e): The minimum investment from sophisticated investors under SEBI (Venture Capital Funds) Regulations, 1996 was Rs. 5 Lakhs, which has been enhanced to Rs. 1 crore under SEBI (Alternative Investment Funds) Regulations, 2012. Further, such funds cannot solicit investments from public or retail and are mandated to seek investments only through private placement of their units through private placement memorandum. Therefore, such funds are not targeted at retail/public investors and are restricted only to sophisticated and high net worth investors.

The private placement memorandum contains the terms of the fund, investment strategy, tenure, corpus and other aspects including the distribution of profit, if any.

SEBI has received complaints from sophisticated investors for 2 (two) funds, which are investing in cinema and allied sectors. The complaints received against these two funds were taken up by SEBI with the respective funds for their comments and subsequently, suitably addressed. Further, based on the complaints received, inspection has been conducted for one fund.

The investors can lodge their complaints on a web based centralized grievance redress system called SEBI Complaint Redress System (SCORES). SCORES enables investors to lodge and follow up their complaints and track the status of redressal of such complaints online. Complaints received, if any, are sent to the funds for their comments, and subsequently, suitably addressed.

Grievances pertaining to intermediaries are taken up with them directly for redressal and continuously monitored by SEBI.

The intermediary is required to respond in prescribed format in the form of Action Taken Report (ATR). Upon the receipt of ATR, the status of grievances is updated. If the response of the intermediary is insufficient / inadequate, follow up action is initiated.
